

MINUTE ITEM

29. REQUEST FOR APPROVAL OF SPECIFICATIONS AND FORMS FOR THE PURPOSE OF INVITING BIDS IN CONNECTION WITH A PROPOSED CONTRACT FOR SALE OF NATURAL GAS, PARCELS "W", "X", "Y", "Z", "Z-1", "J", "K" AND "L", WILMINGTON OIL FIELD - L.B.W.O. 10,139.

Following presentation of Calendar Item 35 attached, and in response to questions raised by the Commission, Mr. Gerald Desmond, City Attorney, Long Beach, reported that the proposed contract would provide for disposal of the natural gas, that it was necessary because upon unitization becoming effective the existing contract would expire, and that one hundred percent of the profits from gas sales go to the State of California.

The Executive Officer pointed out that the proposed resolution was prospective as drafted, subject to approval by the Attorney General's office. Inasmuch as this approval was received subsequent to preparation of the calendar item, the condition for approval should be removed from the resolution.

UPON MOTION MADE BY COMMISSIONER CARR, SECONDED BY COMMISSIONER ANDERSON, AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION APPROVES THE SPECIFICATIONS AND FORMS FOR THE PURPOSE OF INVITING BIDS, SUBMITTED BY THE CITY OF LONG BEACH IN CONNECTION WITH THE PROPOSED FORM OF CONTRACT FOR SALE OF NATURAL GAS (RELATING TO PARCELS "W", "X", "Y", "Z", "Z-1", "K", AND "L", WILMINGTON OIL FIELD), AND AUTHORIZES THE PUBLICATION OF NOTICE TO BIDDERS WITH RESPECT THERETO.

Attachment

Calendar Item 35 (2 pages)

CALENDAR ITEM

35.

REQUEST FOR APPROVAL OF SPECIFICATIONS AND FORMS FOR THE PURPOSE OF INVITING BIDS IN CONNECTION WITH A PROPOSED CONTRACT FOR SALE OF NATURAL GAS, PARCELS "W", "X", "Y", "Z", "Z-1", "J", "K" AND "L", WILMINGTON OIL FIELD - L.B.W.O. 10,139.

The Harbor Department of the City of Long Beach has submitted for approval by the State Lands Commission a proposed form of natural gas purchase contract, together with specifications and forms for the purpose of inviting bids, to be used in the offer for competitive bidding for the purchase of natural gas produced from Parcels "W", "X", "Y", "Z", "Z-1", "J", "K" and "L", or allocated to subject lands pursuant to any and all unit agreements.

Existing contracts for the sale of natural gas between the City of Long Beach and Lomita-Signal-Wilmington Associates provided for the sale of all gas produced from the specified lands. Under unit operations all gas produced from the lands included in a unit will be accounted for under the unit agreement. From the unit the City will receive natural gas allocated to the subject lands representing the City's share as a Working Interest Owner of the unitized substances produced and saved pursuant to the term of any unit agreement whether or not produced from subject lands. The proposed contract will provide for the sale of all natural gas not subject to a unit agreement and all natural gas allocated to subject lands.

Pursuant to the provisions of the City's charter, the effective date of the proposed contract shall be 7 o'clock a.m. of the first day following the day that the General Manager or Assistant General Manager of the Harbor Department duly executes the unit agreement and unit operating agreement covering Fault Block II and Fault Block III, Wilmington Oil Field. The City and Lomita-Signal-Wilmington Associates have agreed to termination of existing contracts at that time. The term of the proposed contract will be a period of 24 years and 11 months from and after the effective date.

In general, terms and conditions in the proposed contract relative to gathering and distribution systems, measurement, quality determination, accounting for natural gas and gas products, and processing operations are in conformance with general practice in the industry. It is provided that in the event the gross income to the purchaser from processing City's gas falls below 115% of the processing cost, the City shall pay to the processor an amount equal to any calculated deficit. In the event this amount, including processor's share of products, exceeds 50% of the value of products produced, the contract may be terminated by either party unless the purchaser waives this required payment.

The purchaser would be reimbursed for the actual cost of facilities required to determine the quantity and quality of natural gas produced and saved from wells subject to each unit agreement, separate from all other gas produced from the subject lands. The purchaser agrees to deliver all of the City's share of dry gas available for sale through City's facilities at the processing plant unless requested by the City to otherwise dispose of said dry gas.

-1-

CALENDAR ITEM 35. (CONTD.)

The office of the Attorney General has the specifications, bid forms and proposed contract under review to determine whether the Commission, pursuant to the provisions of Section 10(b) of Chapter 29, Statutes of 1956, 1st E.S., in its discretion may approve the proposed natural gas purchase contract.

IT IS RECOMMENDED THAT, SUBJECT TO APPROVAL BY THE ATTORNEY GENERAL'S OFFICE, THE COMMISSION APPROVE THE SPECIFICATIONS AND FORMS FOR THE PURPOSE OF INVITING BIDS, SUBMITTED BY THE CITY OF LONG BEACH IN CONNECTION WITH THE PROPOSED FORM OF CONTRACT FOR SALE OF NATURAL GAS (RELATING TO PARCELS "W", "X", "Y", "Z", "Z-1", "J", "K" AND "L", WILMINGTON OIL FIELD), AND AUTHORIZE THE PUBLICATION OF NOTICE TO BIDDERS WITH RESPECT THERETO.